



2006-2007
Annual Report

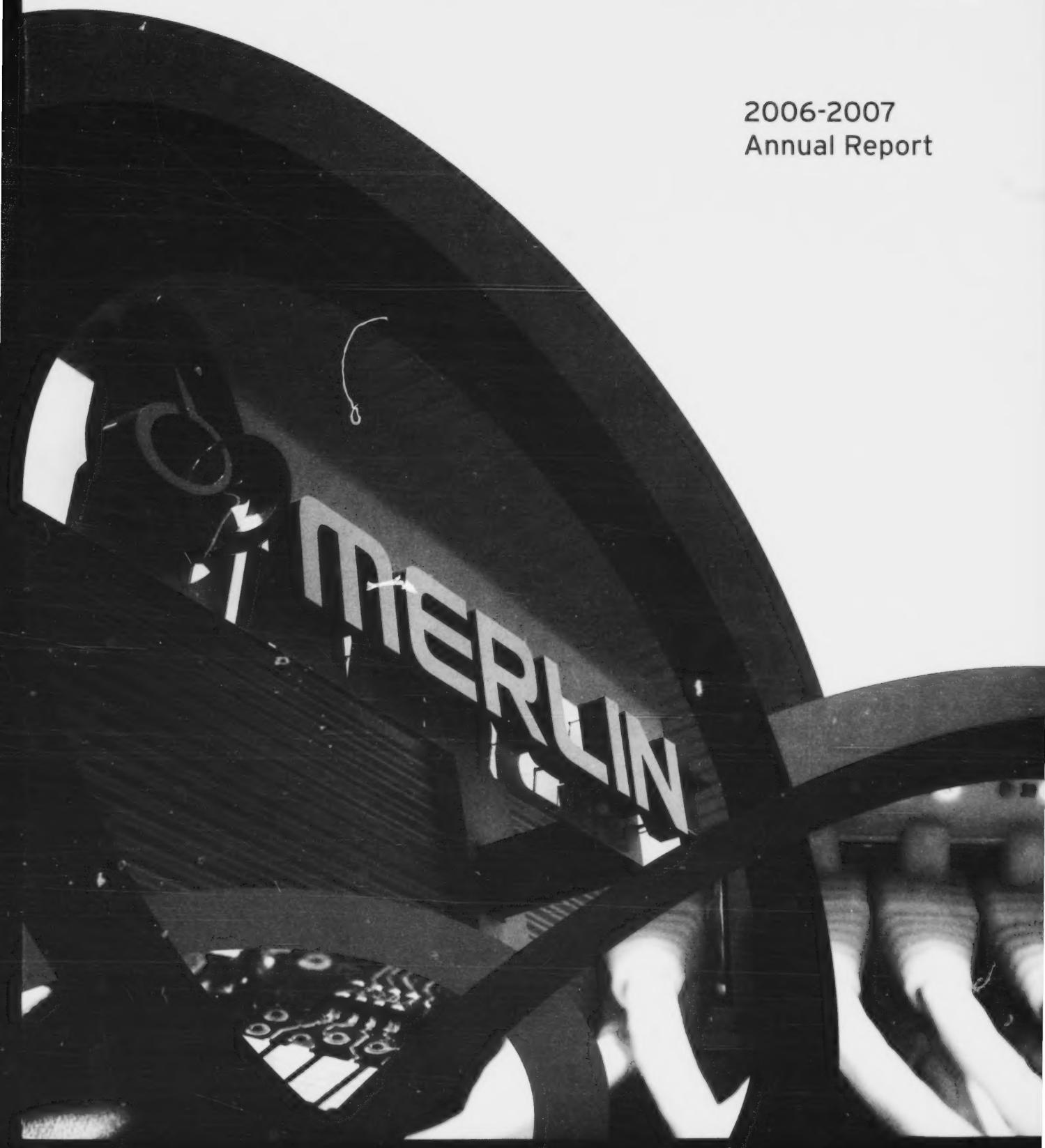


Table of Contents

Minister's Letter of Transmittal	1
Deputy Minister's Letter of Transmittal	2
Message from the Chief Operating Officer	3
Agency Profile	
Background	5
Mission and Mandate	5
Services	5
Markets	6
Performance Review	
Performance Targets and Accomplishments	8
Future Outlook	12
Financial Statement Analysis	13
Management Report	16
Audited Financial Statements	
Auditor's Report	17
Balance Sheet	18
Statement of Income and Deficit	19
Statement of Cash Flows	20
Summary of Significant Accounting Policies	21
Notes to Financial Statements	22
Appendix 1 - Staff as at March 31, 2007	25
Appendix 2 - Advisory Board	25



**MINISTER OF
SCIENCE, TECHNOLOGY, ENERGY AND MINES**

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

July 3, 2007



The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

Dear Lieutenant Governor Harvard:

I have the privilege of presenting the Manitoba Education, Research and Learning Information Networks (MERLIN) Annual Report for the operational year ending March 31, 2007.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jim Rondeau".

Jim Rondeau

Enclosure



Science, Technology, Energy and Mines

Deputy Minister

Room 349, Legislative Building, Winnipeg, MB, R3C 0V8
T 204-945-2771 F 204-945-2747
www.gov.mb.ca

July 3, 2007

The Honourable Jim Rondeau
Minister of Science, Technology, Energy and Mines
Room 333, Legislative Building
Winnipeg MB R3C 0V8



Dear Minister Rondeau:

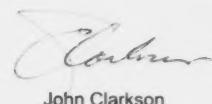
I am pleased to submit for your consideration MERLIN's Annual Report for the year ended March 31, 2007.

MERLIN has had a very successful year. A major accomplishment was the implementation of the MERLIN Partner Program which provides a variety of technology products and services to over 90% of public schools. The Agency has also relocated its main office to Smartpark to improve accessibility to education clients.

The education community continues to realize savings on purchasing software licensing, Internet, content filtering, anti-virus software and many other services that the Agency provides. Schools also benefit through licensing compliancy, best practices, consistency of application, simplicity in reporting systems, and long term technical and financial planning.

I would like to take this opportunity to thank the Advisory Board for their support and advice, and staff for the dedication and effort that has contributed to MERLIN's success.

Respectfully submitted,



John Clarkson

Enclosure





On behalf of staff, I am pleased to report on the achievements of the Manitoba Education, Research and Learning Information Networks (MERLIN) for the year ending March 31, 2007.

The launch of the Partner Program on July 1, 2006 was a major step in being both proactive and responsive to the needs of the education community. This centralized model will translate into many future benefits to the education community by encouraging connectivity, consolidating the purchasing power of divisions, and creating a broader opportunity for divisions to share and collaborate on many levels.

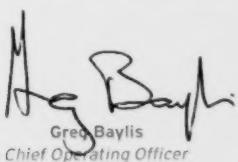
MERLIN is in the process of including private schools within the province in a similar program so that they are able to access many of the same savings and services as their public school counterparts. It is expected that the program will be in place in July 2007.

MERLIN's Advisory Board continues to work on school divisions' behalf to identify long term sustainable plans that will support school divisions' needs into the future. We value their contributions that have been so important in keeping us informed and knowledgeable about the community we serve.

Some of the other activities in which we continue to work include a pilot project for a student portfolio application (ePearl) on behalf of the Department of Education, Citizenship and Youth, a bulk hardware purchase pilot project designed to allow school divisions to access provincial prices on computers and peripherals, and the Agency played a facilitating role in helping school divisions in Westman area connect through to Brandon University to MRnet to achieve broadband connection. MERLIN has also partnered with Green Manitoba to find an interim solution for the disposal of e-waste for schools and school divisions.

MERLIN also has a new look. A new logo has been designed and will soon be visible on all of the Agency's materials including signage at our new location in Smartpark at the University of Manitoba.

We thank the many individuals in the education and government communities who have supported our endeavours over the past year. Your support, suggestions and willingness to work with us have created an environment of collaboration which has helped the Agency to realize our goal of supporting the use of technology in improving educational services to learners.



Greg Baylis
Chief Operating Officer



Agency Profile

Background

Manitoba Education, Research and Learning Information Networks (MERLIN) was established in 1995 as a special operating agency with the Department of Education and Youth. It was formed as a facilitating body to coordinate the delivery of technology services to the education community across Manitoba.

In October 2002, MERLIN was transferred to the newly formed Department of Energy, Science and Technology, now Science, Technology, Energy and Mines.

Mission

- To support the use of technology in improving educational services to learners.

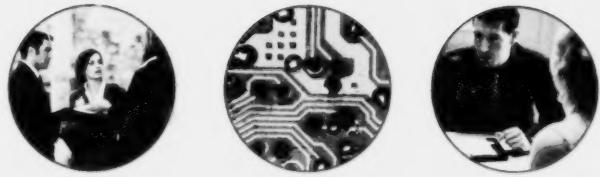
Mandate

- Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery; and
- Provide direction and management in the educational use of networks, acting as a broker of services to meet client needs.

Services

MERLIN has undergone a significant transition in 2006-2007. The organization has consolidated many of its service areas under the Partner Program. While many of the other, traditional areas still exist within the organization, some have been incorporated into the new program, some have changed and others have become less relevant in light of the services offered to schools and divisions in the province under the umbrella of the Partner Program.

This 2006-2007 Annual Report reflects this transition period within the Agency. While seeking to report to the service areas



of previous reports, an attempt has been made to highlight the changes that have happened, not so much in what the Agency does but rather in the areas under which services are reported. The services provided are allocated into the following sections:

Provincial Licensing / Purchasing

As the Partner Program continues to roll out across the province with the majority of schools and school divisions participating and accessing many of their software solutions through the Partner Program, it is expected that while provincial licensing and purchasing will continue as a separate entity, it will decrease in its scope and scale of revenue.

Provincial licensing and purchasing helps ensure consistency in hardware and software products and provides economies of scale for smaller school divisions including:

- Purchase advice and assistance for hardware such as routers, switches and firewalls.
- Negotiation of software licensing agreements and hardware discounts.
- Advice on licensing and purchasing of software.

Conferencing Services

Audio conferencing services have provided school divisions and post-secondary institutions with an option for course delivery and communication. Other government departments and organizations have subsidized the cost to education by using excess bridge time.

Internet Services

- High speed direct connect services.
- Help line support (1-800 service and email).
- MERLIN Advisory (requiring immediate action from school divisions).
- Internet content filtering services for schools, school divisions, individual modem users.
- Listservs (set-up and administration).

Student and Staff Email

MERLIN provides free email accounts for Manitoba students and more sophisticated email and calendaring for education staff on a fee for service basis.

Web Delivery Services

- Technical support of the WEB server.
- Technical maintenance of the Department of Education, Citizenship and Youth WEB page.
- Blackboard / WebCT administration and maintenance.
- Web and email hosting.

Information Technology Services

These services fall within the areas of network, desktop, and security.

- Technical evaluations of computer equipment and networks.
- Advice on the selection of technical equipment and services.
- Support for the installation and maintenance of computer labs and systems.
- Advice on technologies that support distance education delivery.
- Research and development.
- Router networks and support.
- Network systems management.
- Security services (Virtual Private Networks, Wide Area Networks, etc.).

Technical Training

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures.

Training services are intended to provide education-specific training in areas where it might not normally be available.

- Support for applications of distance education.
- Delivery of workshops and seminars on distance education topics.
- Seminars and workshops related to the practical use of technology. Examples: Licensing; Network security; GroupWise; Border Manager; Basic network administration; Windows 2000/XP Professional; Desktop Management; Portal administrative training.

Markets

Primary

Schools and school divisions (K-12) comprised of approximately 37 school divisions, over 700 public schools, 94 independent schools and over 50 band-operated schools within approximately 62 First Nations.

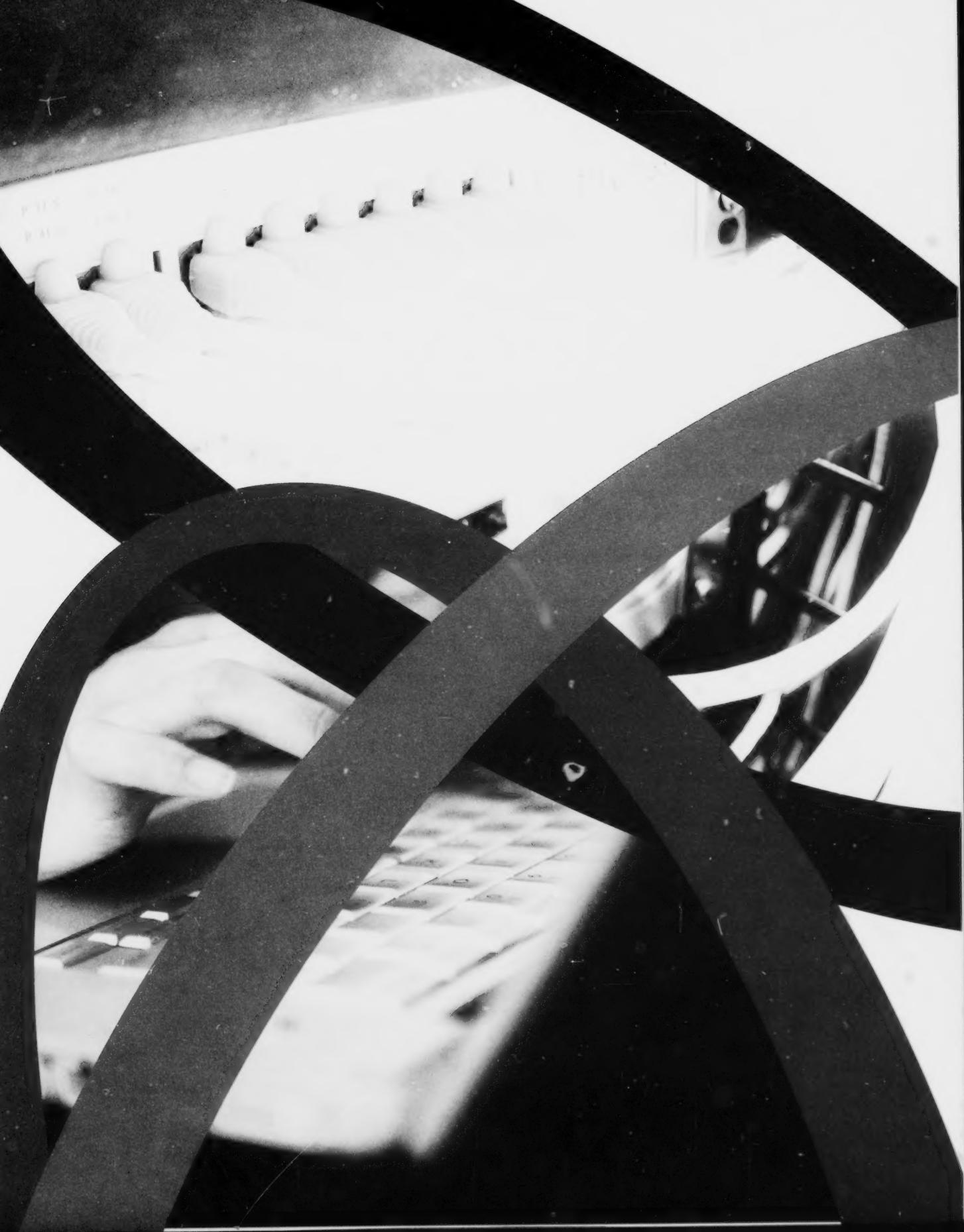
Secondary

Approximately 7 post-secondary institutions, adult learner centres, Department of Education, Citizenship and Youth, Advanced Education and educational organizations.

Tertiary

Other government departments and related organizations.

While MERLIN does not have a monopoly for its services within the province, it does have a unique position in the education community allowing for the provision of an education-specific component to decision-making, provincial coordination, and advisory services. The Agency attempts to foster cooperative relationships with private industry to benefit the education community.





Performance Review

"I want to thank MERLIN once again for all the assistance with innovative ideas in helping us to reduce our costs and processes. I think it's really great what you're doing in helping school divisions. This partnership is truly growing beyond our expectations."

Fran King, Purchasing Manager, Sunrise School Division

Performance Targets and Accomplishments

Performance Areas

- Focus on the K-12 system.
- Focus on provincial services.
- Improve access to MERLIN's services for rural and northern school divisions.

Improved Client Accessibility

MERLIN moved to a new office location at the University of Manitoba's Smartpark in October 2006. The new location provides better parking, easier access and professional meeting facilities. MERLIN has developed a new logo that better reflects its collaborative partnerships and links with the education community, MECY and STEM.

MERLIN made a significant impact in many areas during the Fiscal Year 2006 / 2007. Some examples are highlighted below.

Partner Program

One major accomplishment that MERLIN has engaged in was the introduction of an innovative program for Manitoba school divisions in spring 2006. Known as the Partner Program, it includes a bundled service package that translates into major cost savings for school divisions in Manitoba. The MERLIN Partner Program is a 3-year commitment that began on July 1st, 2006.

As of March 31st, 2007, 31 out of 37 school divisions are now participating in this Program. This represents 92% of the full-time equivalent teachers (FTEs) in the province. Over the course of the first year the Agency has worked to increase services to the partner program including - anti-virus, anti-spam, and long distance phone rates as well as access to reduced rates for cell phones and PDAs to the Partner Program.

Provincial Licensing and Purchasing

Educational licensing agreements include:

Microsoft, Adobe, Corel, Novell

The Microsoft Campus Agreement under the Partner Program has brought substantial savings and benefits to the education community. Outside the Partner Program other licensing agreements also contribute to additional savings to schools in Manitoba. For example, just based on the top 10 selling Adobe and Microsoft (under a separate Microsoft Select Agreement) products, MERLIN has saved schools approximately \$134,000.

Consulting

MERLIN provides services that support and encourage self-sufficiency at the school division level. When needed, the Agency provides fee for service consulting. Some examples of work being done by MERLIN include:

Support for Manitoba School for the Deaf

STEM - creation and maintenance of GIS data for community connectivity

Shared Services

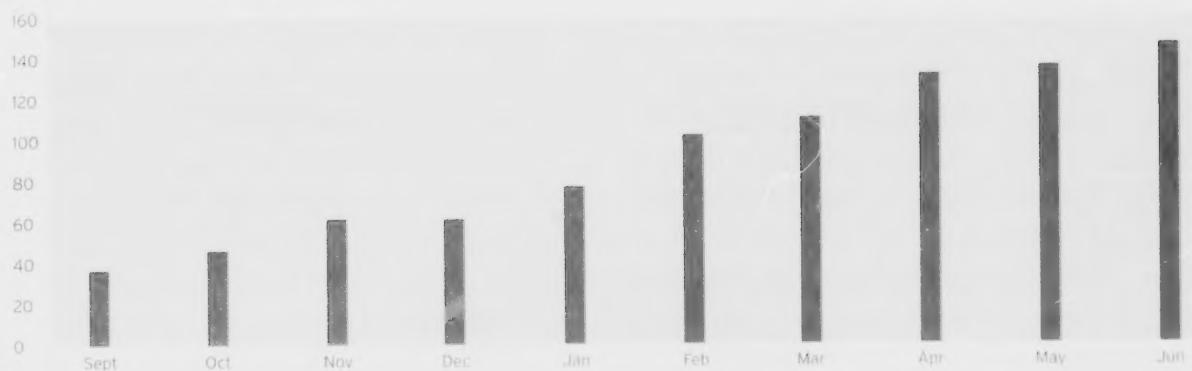
Technical support:

Web server and maintenance of the Department of Education, Citizenship and Youth's (MECY) web page.

Hosted

- IRU/DRFF from the MECY library system and associated databases.
- School courses for web-based distance delivery (BlackBoard) including transition to the latest version of BlackBoard Learning system.
- Web and email domains.
- FirstClass, Microsoft SharePoint, Microsoft Exchange email and calendaring services, Students Achieve, ePearl electronic portfolio for students, Wordpress blog software trial, Adobe Connect web conferencing pilot.

High Speed Direct Connect Services



MERLIN continues to offer Internet gateway services to schools via fibre, wireless, high-speed circuits and the Provincial Data Network (PDN) as well as to provide and explore value-added services such as bandwidth shaping, firewall, anti-spam, anti-virus and web content filtering.

MRnet is Manitoba's connection to the global high-speed (at least 1 Gb/s) education and research network through CA*net 4. MERLIN is the gateway organization for K-12 school connectivity to CA*net 4. Some school divisions in the Westman area have direct connectivity to MERLIN through the MRnet link at Brandon University.

MERLIN continues to work with other service providers to facilitate additional connections through Brandon University.

The PDN connects computer systems in government offices and some agencies, boards, crown corporations as well as all 84 community hospitals. MERLIN has facilitated access to the PDN for schools in Manitoba.

Total number of connections: 26 (last year - 21 connections)

Total number of schools: 88 (last year - 55 schools)

Content Filtering

There are presently 18 school divisions and two private schools involved in this program.

Anti-virus / Anti-spam Email Filtering Service

MERLIN's research on and implementation of solutions to these ever growing problems is providing assistance to school divisions in dealing with them. All email accounts hosted by MERLIN are scanned for spam as well as for viruses. This service is available to any school division who runs their own email server for an annual per user fee.

Email List Server

This electronic mail discussion list gives each mailing list a unique web page and allows users to subscribe, unsubscribe, and change their account options over the web. To date, there have been 62 lists created.

General Support to the Educational Community

As part of its service portfolio, MERLIN provides general support to the education community, facilitating communication and collaboration and ensuring that the Agency is on track in its service provision. Some of the areas in which MERLIN provides support include:

Helpline

The Agency's helpline continued to be widely used for free technical support on concerns ranging from Internet access to network and computer hardware issues responding to thousands of inquiries.

Presentations / Meetings / Committee support

MERLIN staff attend meetings with the Computer Education Coordinators of Manitoba (CECM) in both the Central and Westman regions as well as the CECM Annual General Meeting and participate in various subcommittees of the organization.

Member of the Computers for Schools Manitoba Board of Directors and the Computers for Schools Manitoba Management Committee.

Treasurer of the Manitoba Regional Advanced Network (MRnet).

Representative on the Post Secondary Education Committee on Learning Technologies (PSECLT) which oversees the operation of Campus Manitoba.

Representative at MECY Literacy with Information and Communication Technology Advisory Committee meetings.

Past President of Manitoba Association of Distributed Learning and Training.

Provide support for the Computer Education Coordinators of Manitoba - West in planning and organizing of the 4th Annual Technology Conference BYTE 2007 (February) in western Manitoba.

Chair of Program Committee (Invited Presenters) for planning of the Canadian Association for Distance Education (CADE) conference which is being hosted for the first time in Manitoba in May, 2007.

Promotional material sent to the MASBO and MASS annual magazines for inclusion.

MERLIN Newsletter distributed to the education community in November 2006 and March 2007.

MERLIN participated in the trade show at Riding the Wave Annual Conference in May in Evergreen School Division.

Audio Conferencing (Teleconferencing)

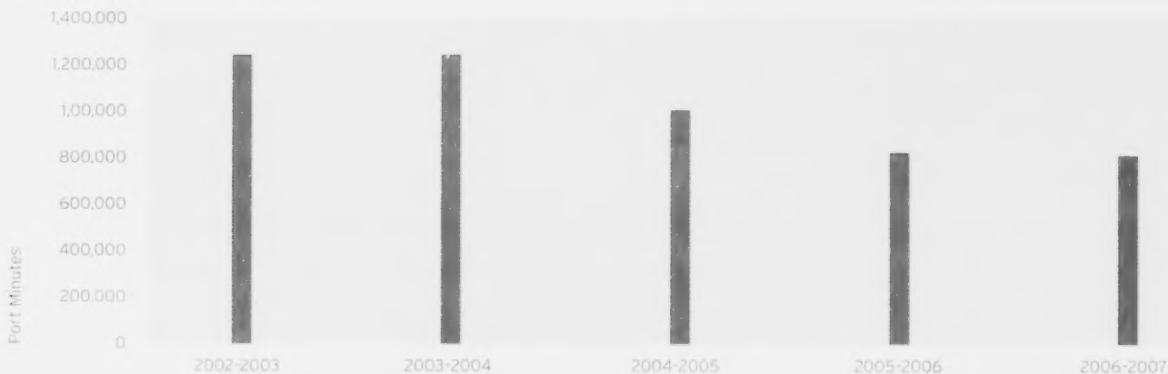
MERLIN operates a 68-port digital audio bridge that provides school divisions and post-secondary institutions with an option for course delivery and communication. Government departments and related organizations subsidize the cost to education through use of excess bridge time.

Client	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
TMP/DSFM	670,097	670,424	492,125	476,838	440,245
Post-Sec/RRC/UM	281,137	217,649	220,866	25,399	38,385
Dept Education	60,398	23,566	32,365	9,977	10,564
School Divisions	9,150	5,380	4,882	4,474	10,449
Other Depts	211,829	251,744	216,606	295,263	338,886
External	41,150	103,521	83,732	61,781	27,668
MERLIN	15,009	12,764	14,758	14,782	14,503
Annual Totals	1,288,770	1,285,048	1,065,334	888,514	880,700

Fiscal Years	Total Port Minutes
2000-2001	1,250,741
2001-2002	1,245,212
2002-2003	1,288,770
2003-2004	1,285,048
2004-2005	1,065,334
2005-2006	888,514
2006-2007	880,700



Fiscal Years 2000-2007



Cost savings to the education community was approximately \$100,900 obtained through using MERLIN's audio conferencing bridge.

MERLIN has historically provided this service at approximately one half the costs of other service providers but with the increasing

availability of low cost solutions provided by the internet it has become a more expensive alternative for our clients. Because of this, MERLIN is planning to shut down the bridge to allow our clients to take advantage of other cost saving alternatives.

Future Outlook

Partner Program

MERLIN will continue to monitor public school participation in the program and to communicate with those who are not yet members to encourage full participation from all K-12 public schools in the province.

By the end of year two, a survey will be developed and sent to participating school divisions to capture feedback to determine how the program is working and what features and/or services schools would like to see added to the program.

MERLIN will be hiring additional technical staff to assist in the implementation and growth of the Partner Program.

A Funded Independent School Partner Program has been developed and will be available July 1st, 2007 to allow private schools access to savings similar to that of the public schools program.

MERLIN has proposed the creation of a Bulk Hardware Pilot Project to run from May 1st to September 30th, 2007. A committee was formed with six voluntary representatives from various school divisions. This will provide school divisions with the opportunity to test how bulk purchasing will fit in comparison to their existing purchasing processes as well as assess overall benefits of this initiative.

MERLIN's new image

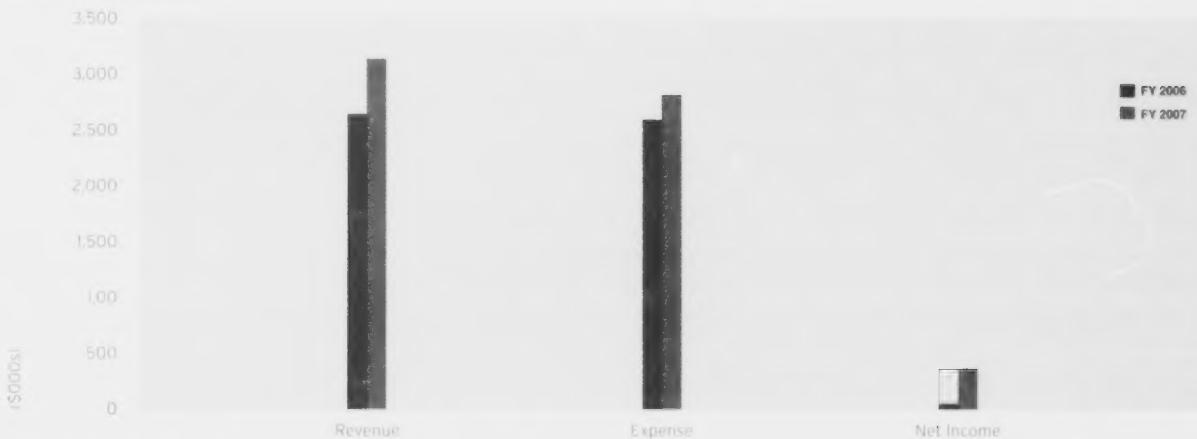
Now that MERLIN has been rebranded with a new corporate identity including a new logo, stationary and building signage, the Agency will be developing new materials - including a revamped website, promotional materials, and a new trade show booth.

Audio bridge

As other low cost communication technologies have come to be readily available, MERLIN has seen a decline in usage of its audio bridge. After careful review of cost / benefits, it has been decided that MERLIN will discontinue this service as lower cost alternatives are now available to the education community. MERLIN will no longer be offering audio conferencing services effective July 16, 2007.

Financial Statement Analysis

Financial Summary



Accumulated Deficit







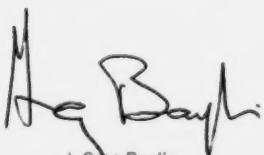


The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with Canadian generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to May 24, 2007.

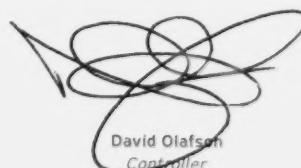
Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,



Greg Baylis
Chief Operating Officer



David Olafson
Controller

Manitoba Education, Research and Learning Information Networks (MERLIN)
May 24, 2007



BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg, Manitoba, Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2007 and the statements of income and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba

May 24, 2007

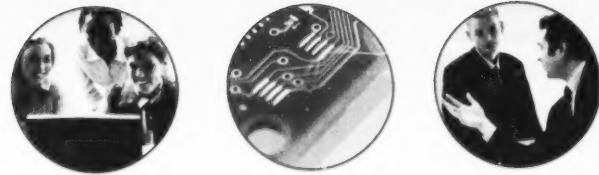
BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

Balance Sheet

(in Thousands)

March 31	2007	2006
Assets		
Current Assets		
Cash and funds on deposit	\$636	\$573
Accounts receivable	220	119
Prepaid expense	372	64
	1,228	756
Receivable from the Province of Manitoba (Note 2)	47	47
Capital assets (Note 3)	204	81
	\$1,479	\$884
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$261	\$251
Unearned revenue	463	80
	724	331
Cyberschools (Note 6)	665	786
Severance pay liability (Note 7)	91	82
	1,480	1,199
Commitments (Note 9)		
Deficit (Page 4)	(1)	(315)
	\$1,479	\$884

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



Statement of Income and Deficit

(In Thousands)

For the year ended March 31	2007	2006
Revenue		
Province of Manitoba - Science, Technology, Energy and Mines Funding	\$446	\$446
Fee for goods and services	2,527	2,037
Other	45	9
Cyberschools	121	131
	3,139	2,623
Expenses		
Advertising and promotion	24	15
Amortization	63	80
Audit and legal fees	8	7
Communication	238	261
Conferences	25	—
Cost of purchases for resale	1,232	1,126
Cyberschools		
Salaries and benefits	59	91
Other expenses	62	40
Equipment repair and maintenance	94	68
Occupancy	54	53
Office and miscellaneous	28	24
Professional development	13	6
Purchased services	—	2
Salaries and benefits	895	781
Travel	30	27
	2,825	2,581
Net income for the year	314	42
Deficit, beginning of year	(315)	(357)
Deficit, end of year (Page 3)	\$1)	\$15)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Cash Flows

(In Thousands)

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Net income for the year	\$314	\$42
Adjustment for Amortization	63	80
	377	122
Changes in non-cash working capital		
Accounts receivable	(101)	170
Prepaid expenses	(308)	35
Accounts payable	10	(23)
Unearned revenue	383	5
	(16)	187
Severance liability	9	9
	370	318
Cash Flows from Investing Activities		
Capital assets	(186)	(15)
Cash Flows from Financing Activities		
Cyberschools	(121)	(131)
Net increase in cash and cash equivalents	63	172
Cash and cash equivalents, beginning of year	573	401
Cash and cash equivalents, end of year	\$636	\$573

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

March 31, 2007

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%
Leaseholds	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Provincial funding is recognized over the term for which it applies.

Fees for service are recognized as the service is performed or ownership of goods has been transferred. Internet charges are recognized once service has been provided, and billed at the end of each quarter. Special projects are billed based on the terms of the contract.

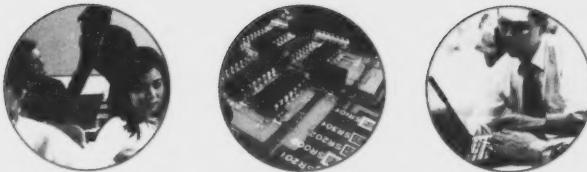
Revenues for the Cyberschools project have been received in advance and are taken into income as expenditures are incurred.

Financial Instruments

The Agency's financial instruments consist of cash and funds on deposit, accounts receivable, accounts payable and accrued expenses and severance pay liability. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.



Notes to Financial Statements

(In Thousands)

March 31, 2007

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is made up of vacation entitlement earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1995 and for severance pay benefits earned prior to April 1, 1998. This receivable, or portion thereof, for the Agency, will be collected in the event there is a cash shortfall. However, this is only likely to happen on dissolution of the Agency. The balance consists of:

	2007	2006
Vacation entitlements	\$19	\$19
Severance pay benefits	28	28
	\$47	\$47

Notes to Financial Statements

(In Thousands)

March 31, 2007

3. Capital Assets

	Cost	2007 Accumulated Amortization	Cost	2006 Accumulated Amortization
Computer hardware	\$361	\$212	\$401	\$332
Computer software	34	3	8	8
Equipment and furniture	93	79	94	82
Leaseholds	11	1	—	—
	\$499	\$295	\$503	\$422
Cost less accumulated Amortization			\$204	\$81

4. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of \$2.0 million of which \$NIL was used at March 31, 2007 (2006 - \$NIL).

During the year, the Agency incurred interest charges of \$NIL (2006 - \$NIL).

5. Accrued Vacation Entitlements

The Agency follows the policy of the Department of Finance to recognize accumulated vacation entitlement liability. The liability is offset by a receivable from the Province of \$19, which was the balance as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At March 31, 2007, the accrued vacation entitlement was \$108 (2006 - \$117).

6. Cyberschools

The Agency has entered into an agreement with Community Connections to develop, implement and operate a province-wide communication gateway / portal to support K-54 education and Community Connections lifelong learners. The service will include access to secure email, calendars, and file storage.

Receipts and disbursements are as follows:

	2007	2006
Deferred balance, beginning of year	\$786	\$917
Disbursements	(121)	(31)
Deferred balance, end of year	\$665	\$786

Notes to Financial Statements

(In Thousands)

March 31, 2007

7. Severance Pay Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2007 was \$91 (2006 - \$82). Commencing in the 2006 fiscal year the actuarial loss of \$2 is being amortized over the 15 year expected average remaining service life of the employee group.

8. Revenue – Manitoba Education, Citizenship and Youth

The Agency is responsible for the delivery of distance education and technology programs formerly provided through Manitoba Education, Citizenship and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

9. Commitments

The Agency leases office space under a long-term lease which expires January 31, 2008.

The future minimum payments required under this lease are:

2008	\$30
------	------

10. Pension Benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Education, Research & Learning Information Network, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2007 was \$40 (2006 - \$48). Under this agreement, the Agency has no further pension liability.

11. Public Sector Compensation

Pursuant to The Public Compensation Disclosure Act, employees of MERLIN who have received compensation of \$50 or more, including benefits and severance payments, in the year ended March 31, 2007 are disclosed in the Special Operating Agency Financing Authority (SOAFA) Annual Report.

Appendix 1

Staff as at March 31, 2007

Greg Baylis - Chief Operating Officer
Cathy Garrett - Acting Chief Operating Officer
Jared Bater - Consultant, Unix Technologies
Kiley Bender - Senior Consultant
Barb Finnimore - Internet Administrator
Darrell Finnimore - Media Technician
Warren Grieder - Consultant, Internet Technologies
John Hiebert - Consultant, Networking Technologies
Debbie Jennings - Regional Representative and Distance Education Specialist
Lynn Fillion - Provincial Licensing and Software Sales Specialist
Diane Karalash - Financial Administrator
Colette Lafond-D'Heilly - Communications Coordinator
David Olafson - Comptroller
Grant Wallin - Manager, Information & Communication Technologies
Vacant - Conferencing Coordinator
Vacant - Systems Manager

Sam Steindel

Departmental Representative
Coordinator, Distance Learning & Information Technologies Unit

Cam Mateika

Northern Representative
Director of Research & Technology
Swan Valley School Division

Dariene Dufily

Rural Representative
Superintendent, Interlake School Division

Rob Carnegie

Computer Education Coordinators of Manitoba - Central Representative
Administrator of Technology
St. James Assiniboia School Division

Howard Burston

First Nations Representative
Technology Specialist
Manitoba First Nations Education Resource Center

Gilbert Michaud

Departmental Representative
Special Projects Coordinator
Division du Bureau de l'Education Française

Craig Cuddy

Computer Education Coordinators of Manitoba - West Representative
Prairie Spirit School Division

Cathy Garrett

Chief Operating Officer (Acting)
MERLIN

Gerry Miller

Post Secondary Representative
Executive Director, Information Services and Technology, University of Manitoba

Appendix 2

Advisory Board

Don Reece
Chair, Urban Representative
Director of Instructional Technology
Pembina Trails School Division

Phil Taylor
Manitoba Association of Computing Educators Representative
Dept Head - Education Technology
St. John's Ravenscourt School



MERLIN is a special operating agency with the Department of Science, Technology, Energy and Mines

100-135 Innovation Drive, Winnipeg, Manitoba, Canada R3T 6A8

Tel: 204.474.7800 Toll Free: 800.430.6404 Fax: 204.474.7830

www.merlin.mb.ca

Designed by Velocity Design Works
www.velocitydesignworks.com